



**ALROSA**

Investor Presentation –  
Q1 2015 Results

4 June 2015

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## Key Q1 2015 financial highlights

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Revenue	<b>74.6</b> RUB bn +31% Q1 2014: RUB 56.9 bn	Diamond sales	<b>9.0</b> mln cts (29%) Q1 2014: 12.7 mln cts
EBITDA	<b>42.9</b> RUB bn +65% Q1 2014: RUB 26.0 bn	Free cash flow	<b>31.8</b> RUB bn +58% Q1 2014: RUB 20.1 bn
EBITDA margin	<b>57%</b> Q1 2014: 46%	Cash and cash equivalents	<b>54.2</b> RUB bn 2.5x 31.12.2014: RUB 21.7 bn
Net profit	<b>22.2</b> RUB bn 3.7x Q1 2014: RUB 6.0 bn	Net debt / EBITDA	<b>1.3x</b> 31.12.2014: 1.9x

# Financial results

RUB mln	Q1 2015	Q4 2014	Q1 2014	Q1 2015 vs. Q4 2014	Q1 2015 vs. Q1 2014
<b>Operating performance</b>					
Production, mln cts	8.4	10.6	7.9	(21%)	6%
Sales, mln cts	9.0	10.8	12.7	(17%)	(29%)
<b>IFRS income statement of profit or loss and other comprehensive income</b>					
Revenue	74,580	60,252	56,850	24%	31%
Cost of sales	(27,961)	(27,004)	(27,906)	4%	0%
EBITDA <sup>(1)</sup>	42,863	28,016	26,022	53%	65%
EBITDA margin	57%	46%	46%	-	-
Net profit / (loss)	22,231	(29,616)	5,983	-	3.7x
Net profit margin	30%	-	11%	-	-
EPS, RUB	2.93	(4.08)	0.76	-	3.9x
<b>IFRS statement of financial position<sup>(2)</sup></b>					
Cash and cash equivalents	54,221	21,693	16,143	2.5x	3.4x
Total debt	203,327	197,160	136,931	3%	48%
Net debt	149,106	175,467	120,788	(15%)	23%
Net debt / EBITDA	1.3x	1.9x	1.5x	-	-
Equity attributable to owners of OJSC ALROSA	156,774	137,051	167,606	14%	(6%)
<b>IFRS statement of cash flows</b>					
Cash inflow from operating activities before changes in working capital	43,074	28,786	26,194	50%	64%
Income tax paid	(2,596)	(1,138)	(3,456)	2.3x	(25%)
Changes in working capital	(1,090)	3,942	6,174	-	-
Net cash inflow from operating activities	39,388	31,590	28,912	25%	36%
Purchase of property, plant and equipment	(7,054)	(11,031)	(8,338)	(36%)	(15%)
Purchase of inventories for construction	(580)	(1,077)	(487)	(46%)	(19%)
Free cash flow <sup>(3)</sup>	31,754	19,482	20,087	63%	58%

Note: (1) as used in this presentation, EBITDA is defined as operating profit adjusted for depreciation and amortisation, profit/loss on disposal of subsidiaries, loss on disposal and write-off of property, plant and equipment, foreign exchange differences attributable to operating activity

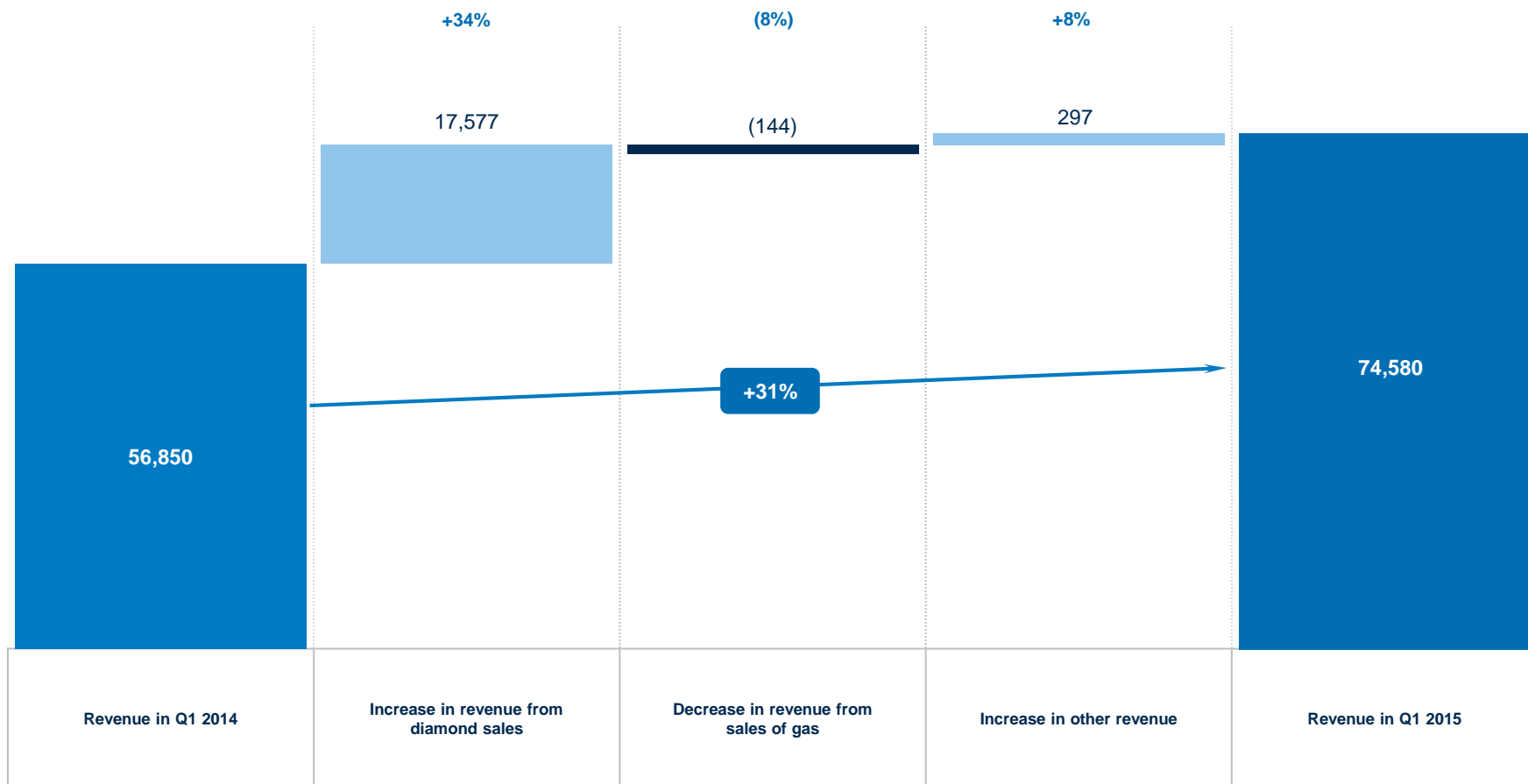
(2) As at 31.03.2015, 31.12.2014 and 31.03.2014 accordingly

(3) as used in this presentation, free cash flow is defined as net cash inflow from operating activities less purchase of property plant and equipment and inventories for construction

# Q1 2015 revenue growth y-o-y was mainly driven by higher diamond sales

## Revenue analysis

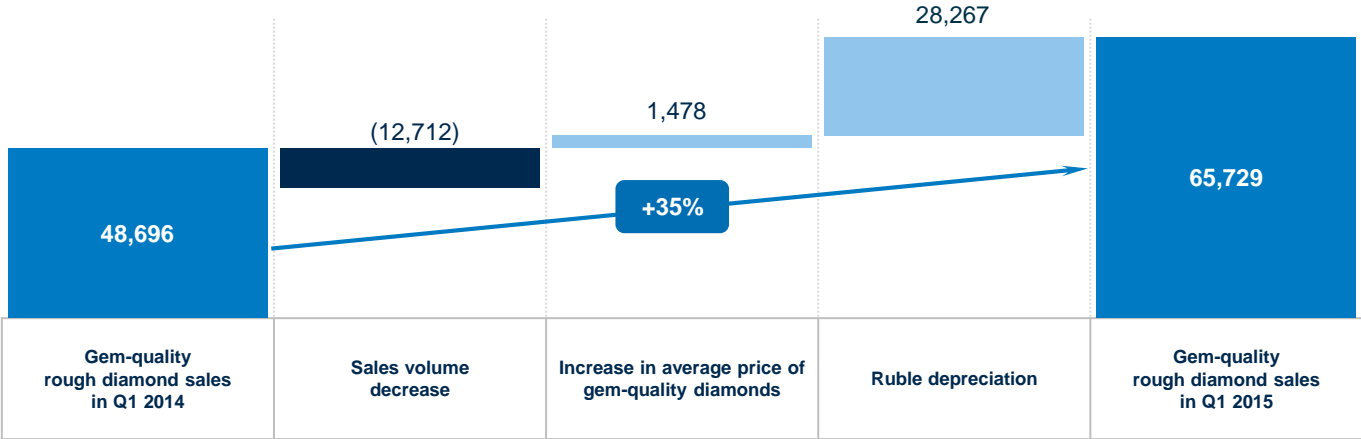
RUB mln



# Growth of gem-quality rough diamond sales in Q1 2015 y-o-y was driven by higher average gem-quality diamond price due to better product mix and by ruble depreciation against the US dollar

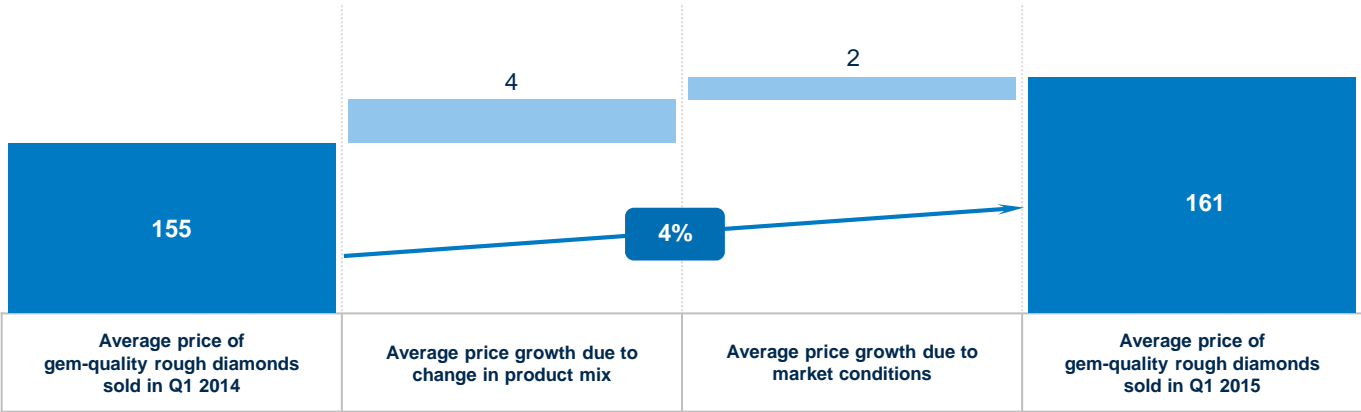
## Gem-quality rough diamond revenue analysis

RUB mln



## Gem-quality rough diamond average price analysis

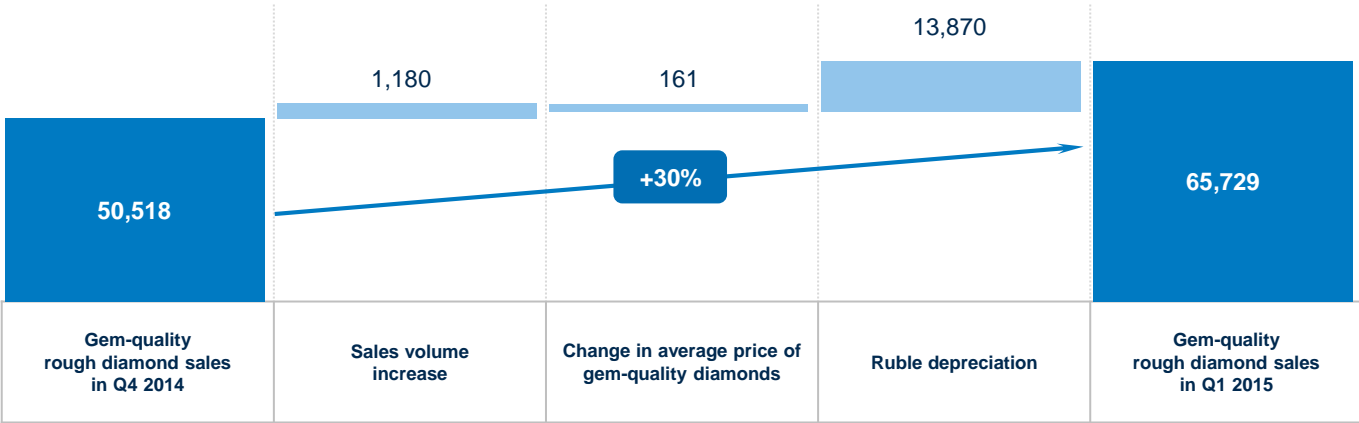
\$/carat



# Growth in gem-quality rough diamond sales in Q1 2015 q-o-q was driven by higher sales and ruble depreciation

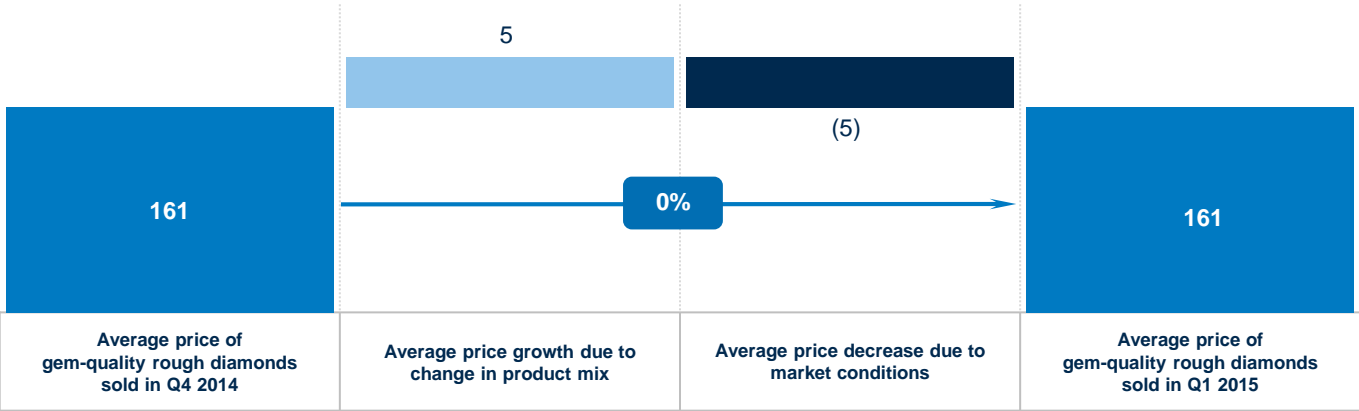
## Gem-quality rough diamond revenue analysis

RUB mln



## Gem-quality rough diamond average price analysis

\$/carat



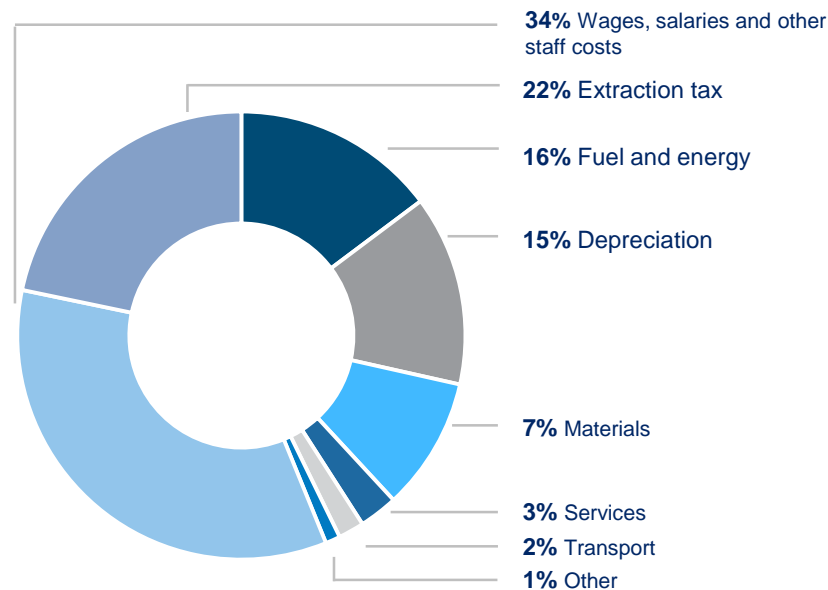
# Higher production cost was triggered by wages, salaries and other staff costs, depreciation, extraction tax and fuel and energy costs

## Cost of sales

RUB mln

	Q1 2015	Q1 2014	Q1 2015 vs. Q1 2014
Wages, salaries and other staff costs	10,590	7,876	34%
Depreciation	4,517	3,806	19%
Extraction tax	6,681	3,411	96%
Fuel and energy	4,844	2,880	68%
Materials	2,131	1,651	29%
Services	859	705	22%
Transport	572	873	(34%)
Other	359	184	95%
<b>Cost of production</b>	<b>30,553</b>	<b>21,386</b>	<b>43%</b>
Movement in inventory of diamonds, ores and concentrates	(2,904)	6,163	-
Cost of diamonds for resale	312	357	(13%)
<b>Cost of sales</b>	<b>27,961</b>	<b>27,906</b>	<b>0%</b>

## Production costs in Q1 2015



- Wages, salaries and other staff costs increased against Q1 2014 as a result of indexation at the inflation rate, change in methodology of accrual of personnel and management remuneration reserve
- Depreciation growth resulted from diamond production increase at Severalmaz, Udachny underground mine and Botuobinskaya open pit
- Growth of extraction tax (MET) in Q1 2015 resulted from new Ministry of Finance's diamond pricelist for MET calculation coming into force on 15 March 2014 and from ruble depreciation against the US dollar
- Fuel and energy costs increase against Q1 2014 resulted from higher fuel prices and increased consumption of fuel and energy due to lower average air temperature in the Republic of Sakha (Yakutia)

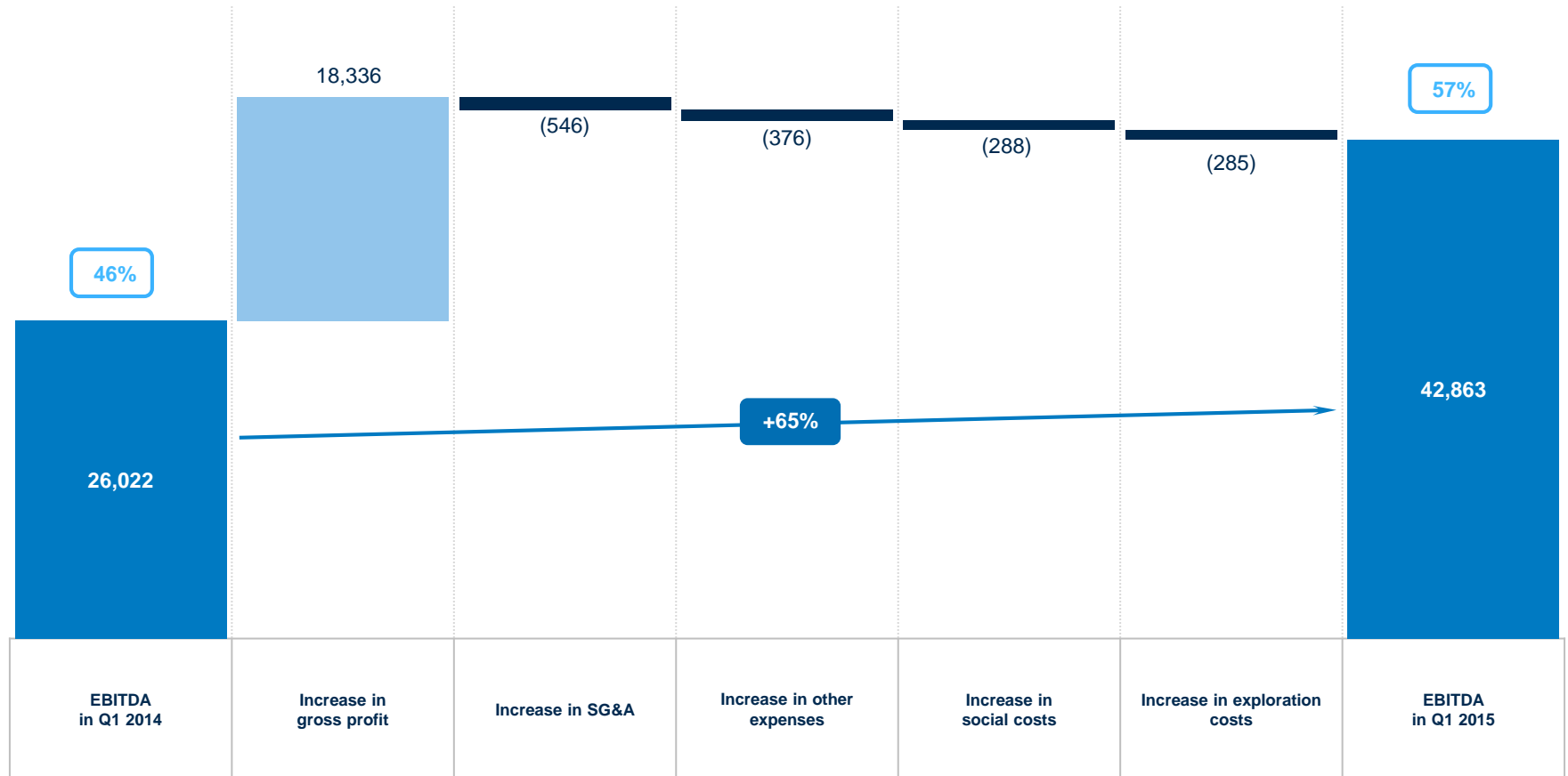


# Q1 2015 EBITDA increased y-o-y due to growth in gross profit from diamond sales

## EBITDA analysis

RUB mln

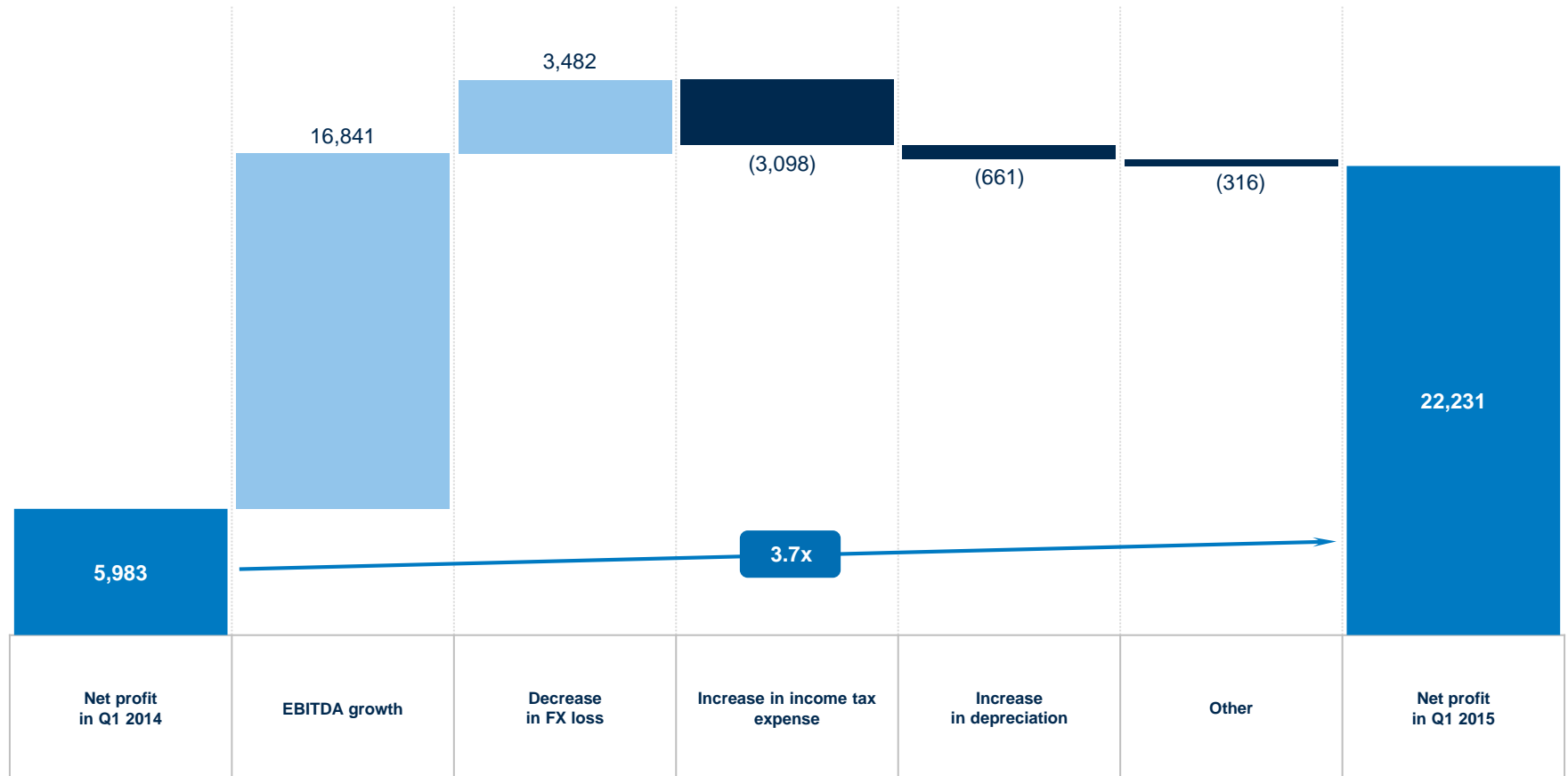
EBITDA margin



# Net profit increased in Q1 2015 y-o-y due to EBITDA growth and decline in FX losses

## Net profit analysis

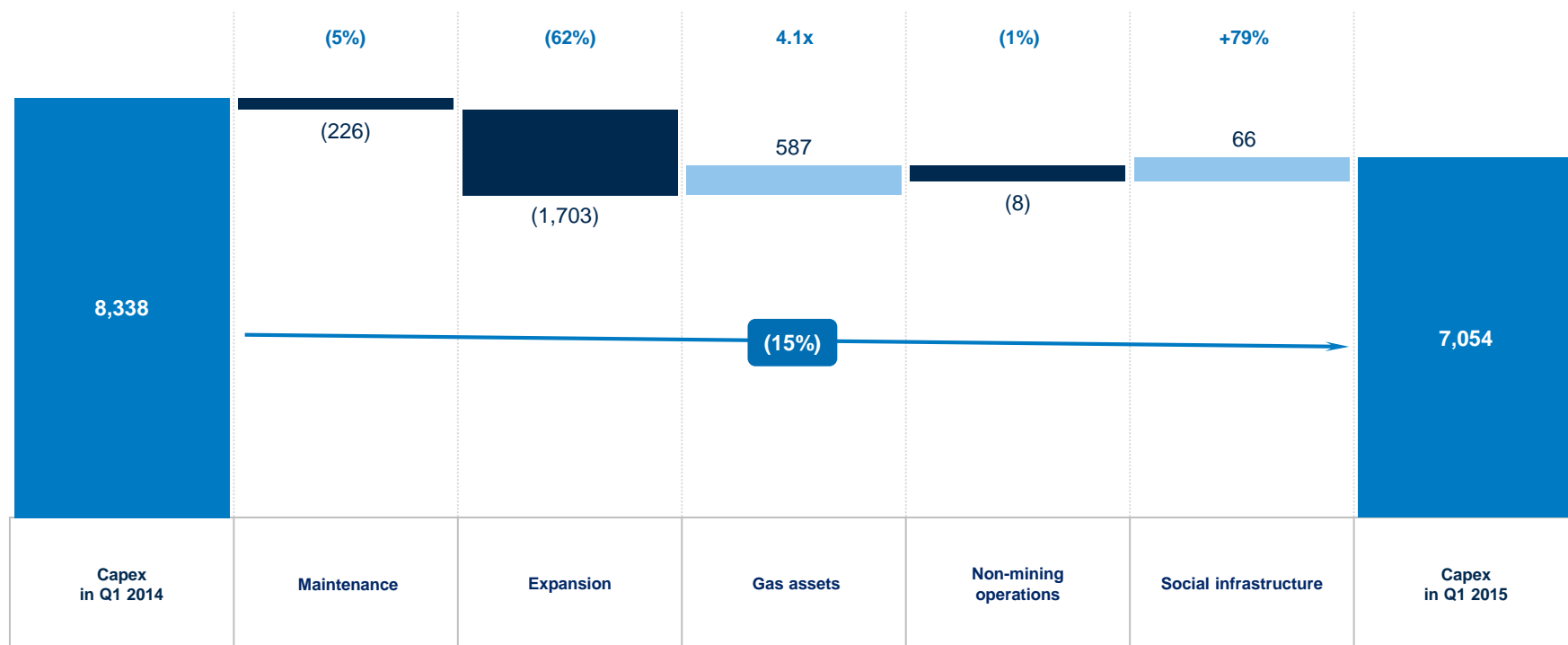
RUB mln



# Q1 2015 total capex decreased y-o-y mainly due to reduction of investments in expansion

## Capital expenditure analysis

RUB mln



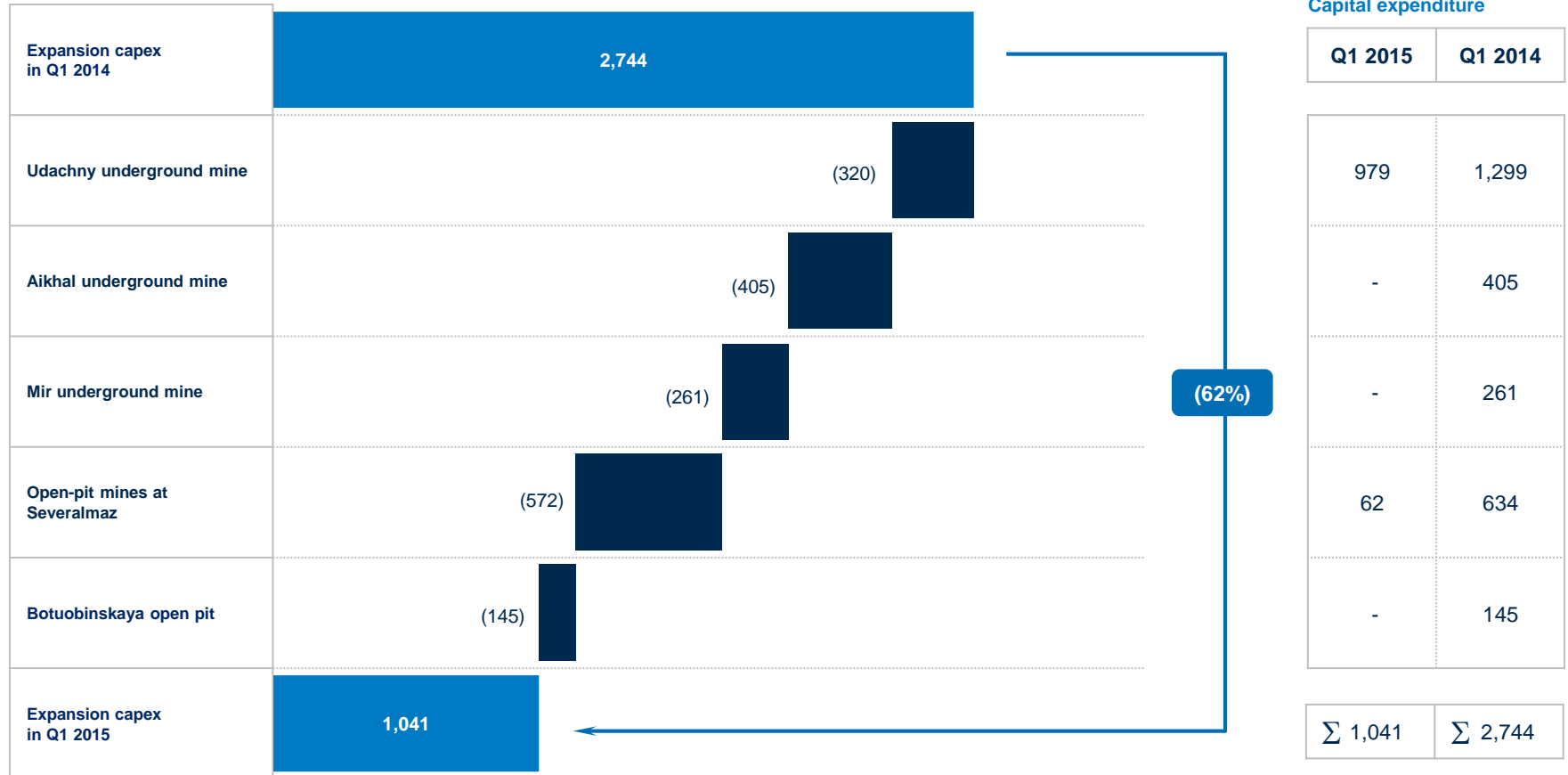
## Capital expenditure

	Maintenance	Expansion	Gas assets	Non-mining operations	Social infrastructure	Total
<b>Q1 2015</b>	4,506	1,041	777	580	150	Σ 7,054
<b>Q1 2014</b>	4,732	2,744	190	588	84	Σ 8,338

# Expansion capex decrease was mainly due to lower level of investments in expansion of Severalmaz and Aikhal underground mine

## Expansion capex analysis

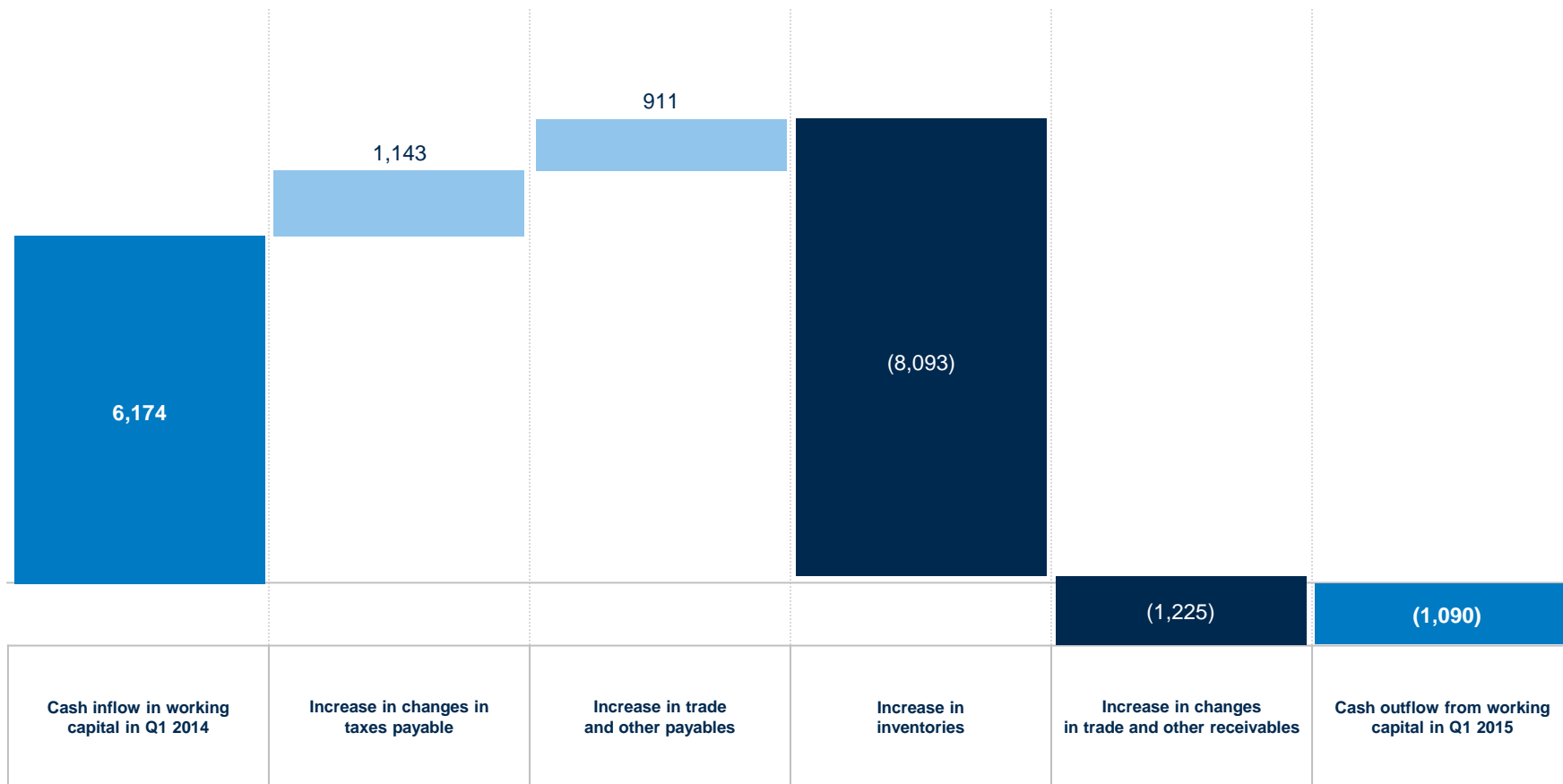
RUB mln



# Cash outflow from working capital in Q1 2015 against Q1 2014 was mainly driven by increase in ore and sand inventories in accordance with the Company's plan

## Analysis of cash flows in working capital

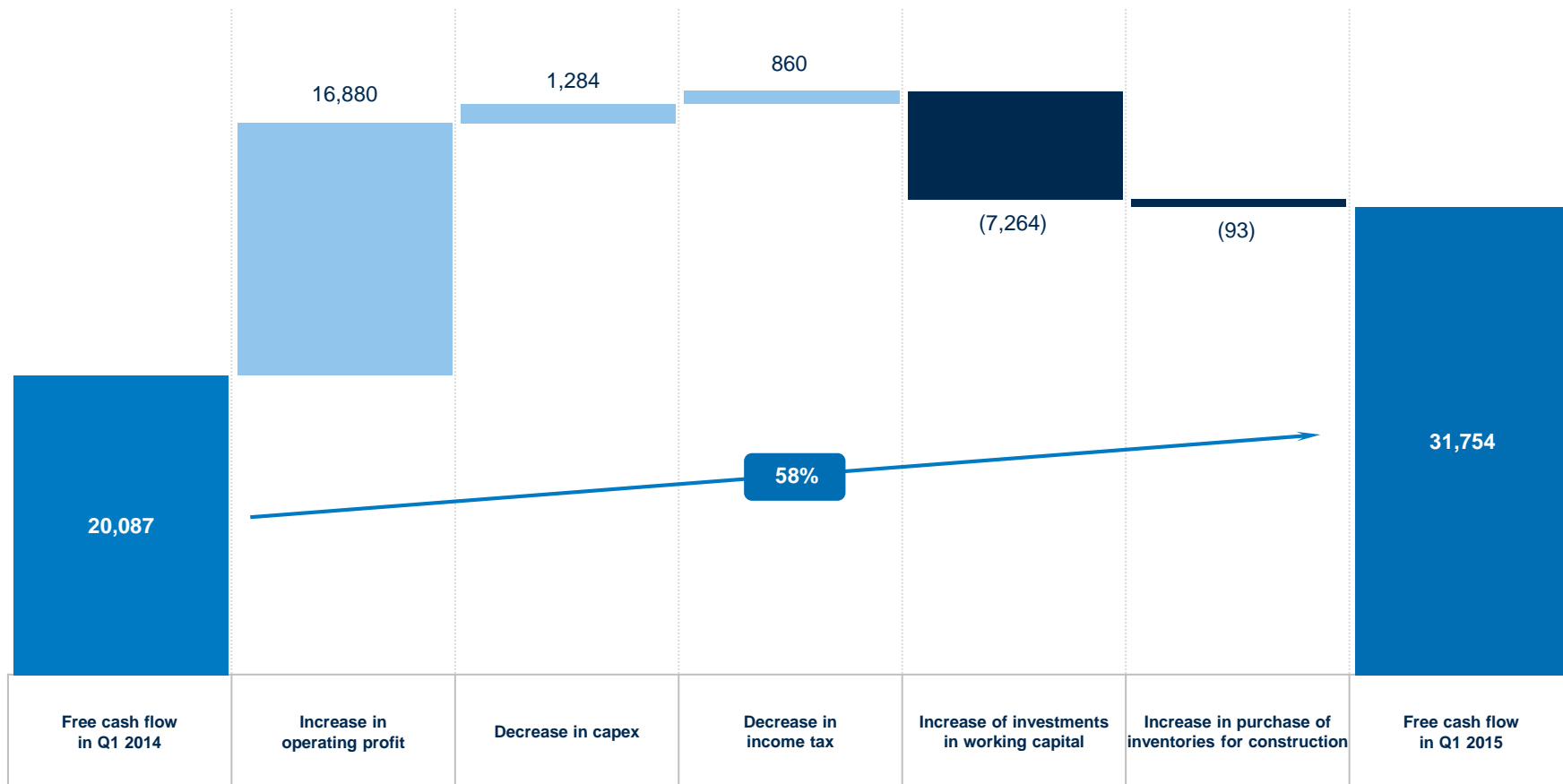
RUB mln



# Free cash flow increased in Q1 2015 due to growth in operating profit

## Free cash flow analysis

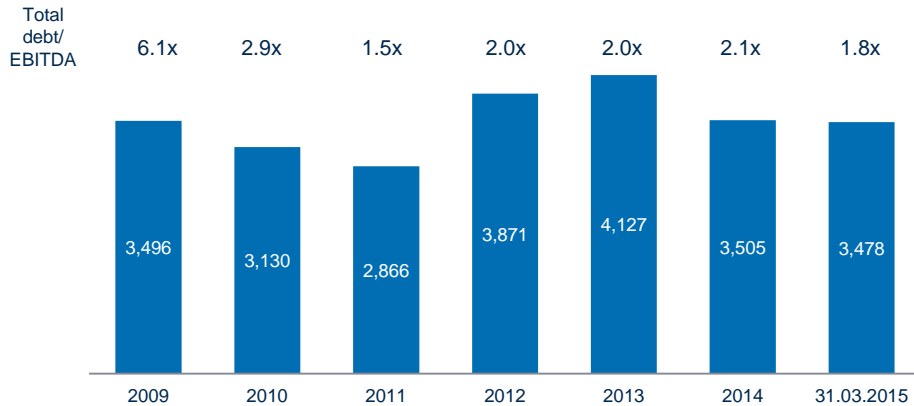
RUB mln



# ALROSA generated liquidity for repayment of ruble-denominated bonds and for dividend payout in 2015

## Loans and borrowings

\$ mln



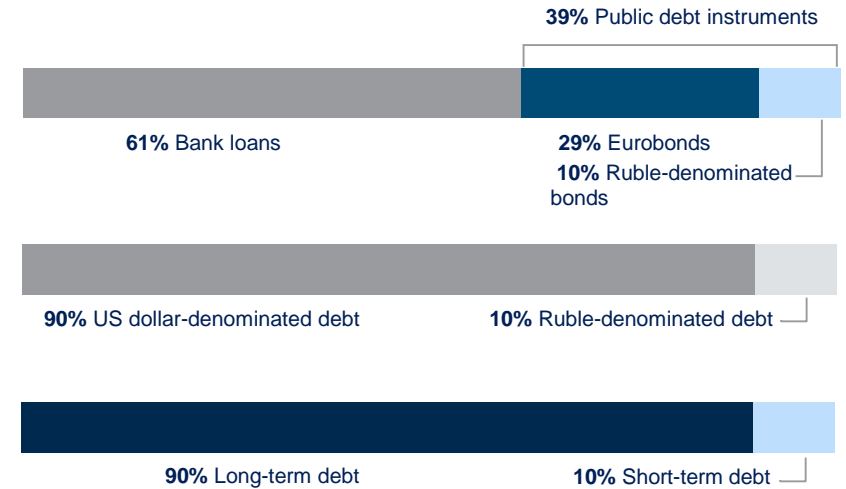
## For reference: ALROSA net debt

\$ mln



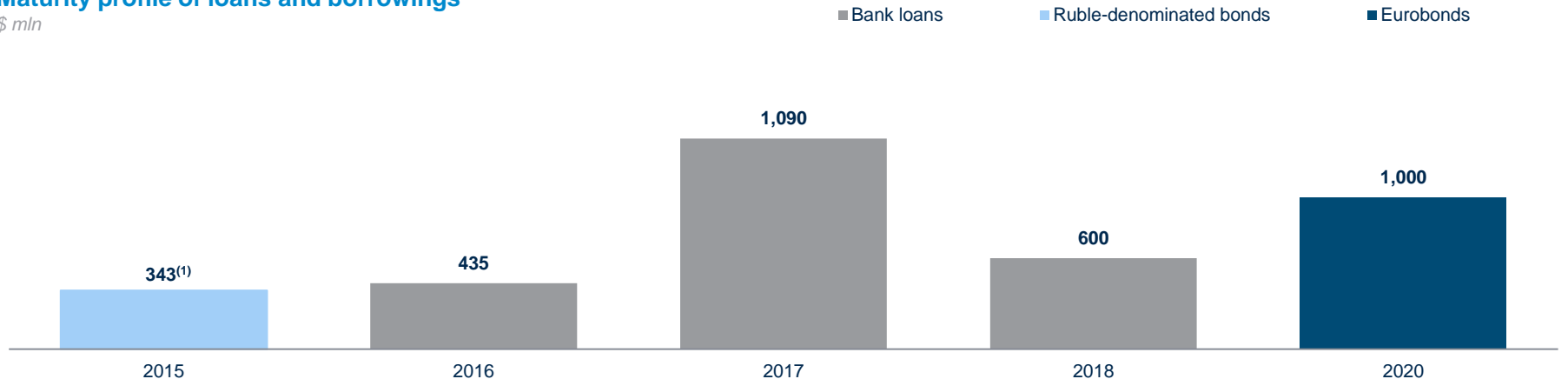
## Loans and borrowings breakdown

As at 31 March 2015



## Maturity profile of loans and borrowings

\$ mln



Note: (1) recalculated at 58,4643 RUB/USD exchange rate

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# Thank you!



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